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STATOTHR

Your interest in my talk before the U. S. Chamber of Commerce is indeed appreciated and I enjoyed receiving the good report on my nephew.

Sincerely,

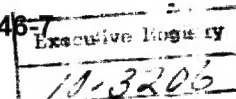
Allen W. Dulles
Director

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STATOTHR



Dear Mr. Dulles:

I was much interested in the article in this morning's Washington Post quoting from your talk at the Chamber of Commerce luncheon. I trust that your analysis and warnings as to the Russian Economic Offensive will be given serious consideration by Members of Congress and the American public.

The Public Relations Research Association recently published an article I wrote on this subject and I am enclosing a copy. It was approved by Mr. Sidney Sherwood before publication. Mr. Richard Nixon was much interested in the copy he received.

A few years ago on my trips to Mexico I had the pleasure of knowing your nephew Mr. J.W.F. Dulles, Chief Mining Engineer of the Compania Metallurgica Penoles and discussing with him the mining problems in Mexico and the proposed changes in the production and export taxes on metals and minerals. His opinion is highly regarded by the Government officials in Mexico.

Kindest regards

Sincerely

Charles Will Wright

The Honorable
Allen W. Dulles, Director
Central Intelligence Agency
Washington, D. C.

P.S. If I can be of any service to
your organization please don't
hesitate to call upon me.

C. W. W.

"REMEDYING THE PRESENT GRAVE SITUATION" -

Proposals for Competing for our Metal
Requirements from Abroad --

by Dr. Charles Will Wright

Published as a public service, April 8, 1958, by Public Relations Research Associates, Inc., Dupont Circle Building, Washington 6, D. C.

PUBLIC RELATIONS RESEARCH ASSOCIATES, INC.
Dupont Circle Building
Washington, D. C.

April 7, 1958

We asked Dr. Charles Will Wright, whom we consider to be the dean of the world's mining engineers, to evaluate for our organization the present situation facing the United States in the field of mineral production. There seemed to be so much confusion regarding the Mutual Security Program, and whether or not our country is dependent upon the stability of nations across the seas, that we wanted his competent opinion on this matter.

After being educated at Freiberg, Germany, and the Michigan College of Mines, Dr. Wright joined the U. S. Geological Survey in 1903 and for 6 years was detailed to field work and mine reporting in southeastern Alaska. After 18 years operating experience as manager of mines in Sardinia and northern Italy he joined the Bureau of Mines, serving as Chief of the Mining Division from 1927 to 1935 and as Chief Foreign Mineral Specialist attached to the State Department from 1935 to 1942. During these years he reported on the mines and mineral resources in most of the European countries including Russia and on the principal mineral producing countries in Latin America. From 1942 to 1945 he was Chief Technical Consultant, Metals and Minerals Branch, Board of Economic Warfare. Early in 1945 he returned to the Bureau of Mines and under General Clay was sent into Germany to report on the potash, copper, lead-zinc and iron mines and the metallurgical plants west of the Elba before the Russian occupation of this area. Under the Allied Commission he then reported on the mining districts in Sardinia, Sicily and in Greece. Since 1946 he has been consultant to the Economic Cooperative Administration and to the Bureau of Mines. In recent years he has been making mine examinations in Italy, Greece, Spain, Mexico, Peru and on uranium mines in Utah for private interests, including Ventures Ltd. and Westinghouse Electric International Co. During 1957 he has completed a study of the mining codes, taxes, exchange controls, etc. in the Latin American Republics for the Bureau of Mines and is now engaged in preparing an extensive report on World Mineral Production for the Encyclopedia Americana. He has the title of Commendatore della Corona d'Italia, Legion of Honor of the American Institute of Mining Engineers and Honorary Member of the Cosmos Club. He is a life member of the Geological Society of America, Senior Member of the Society of Economic Geologists, and a member of the Mining & Metallurgical Society of America and the Mining Club of New York.

We are so impressed with the document Dr. Wright has given us that, with his permission to use it as we see fit, we are making it available for general discussion purposes. We believe that every thoughtful American should have this information available to help him determine the facts before making up his mind in regard to the Mutual Security Program.

Robert W. Miller,
Secretary

REMEDYING THE PRESENT GRAVE SITUATION -

Proposals for Competing for our Metal
Requirements from Abroad

Our Present Situation.

Thirty years ago our industrialists were not worrying much about metal supplies and our surpluses were being exported. But we are a rapidly growing and productive nation which has increased its population from 120 to 170 million during this period and has added many luxuries to our living standards - much more than any other nation. Can we continue at this rapid and rather wasteful pace or must we be satisfied with a more conservative way of life?

The United States has seriously depleted its mineral resources during the two world wars and is becoming more and more dependent upon foreign sources for many of the metals needed to maintain its industrial and military power. Thus far we have been able to secure the essential minerals and metals from foreign sources at favorable market prices. Barring war and embargoes we still hope to do so. But other nations are awakening to the benefits of industrialization and are building plants to make better use of their mineral resources and expanding their manufacturing facilities. Their demands on the world's diminishing mineral supply will intensify and the United States, the world's largest consumer of metals, may soon find it difficult to acquire the imports needed to meet the demands of its increasing population.

Many of our industrialists are too complacent and believe that, as in the past, the producer of the products we need will continue to export them to the United States, their principal market, in order to obtain our dollars.

The United States has to import almost all of its ferroalloy minerals - namely manganese ore, chromite, nickel and cobalt - and over one-half of its non-ferrous metals - antimony, bauxite, lead, zinc and mercury - the domestic production of which was notably lower in 1956 than in 1944. This situation in our metal deficiencies is much worse than is generally believed and one of the objectives of this article is to present the facts and to suggest ways to meet the situation.

Statistical data supplied by the U. S. Bureau of Mines for some of the minerals and metals in which we were deficient in 1956 are given in the attached table.

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Our Competitors

Russian missions and agents from its industrial firms are spreading out in the Free World nations offering to supply technicians, machinery and equipment and to make loans at 2 1/2% interest for new industrial plants or for oil-drilling exploration projects, particularly in Latin American countries, in exchange for their raw material projects. They also have their geologists and engineers in most of the mineral producing countries reporting on the important mineral deposits and on local conditions. Thus when they may wish to acquire certain products or to deprive us of our sources of supply they will have the basic information they need.

Also the agents of Japanese and German manufacturing firms are running rings around us in selling machinery, chemicals, optical instruments, textiles, automobiles, also sewing machines and other household articles in Latin America by giving long term credits, prompt deliveries and better service. Competition by such a system is making it difficult for American mining companies to acquire properties and American manufacturing firms to sell their products in these countries and elsewhere abroad.

Our Foreign Aid Welfare Program

Appropriations for Mutual Security for the fiscal year of 1957-58 amounted to about \$3.9 billion. Of this approximately one third was earmarked for welfare work and the balance for military purposes. The International Cooperative Administration is in charge of this fund, and employs several thousand Foreign Service Officers abroad among which are agronomists, animal husbandry experts, construction engineers, labor advisors, legal and financial advisors, hospital administrators, doctors, nurses, public health officers, educators for elemental schools, vocational and physical training, social welfare, etc. The aid they have given in cooperation with the government officials industrialists and educators particularly in Libia and other backward countries has been a big help in combatting the influence and false propaganda of the Communists against the United States.

- 3 -

These Foreign Service officers, however, should do more to encourage private enterprise and to help build up trade with the United States so that we will get more material return from the vast expenditures being made in these countries. The tendency of any foreign aid through foreign government agencies is to encourage socialism rather than independence through free enterprise.

The Russians also have their Foreign Aid Program and are sending personnel into the Free World countries who speak the local languages and are employing natives who may have been trained in Russia to carry on their activities in the trade offensive and their anti American propaganda. By doing they hope eventually to get a foothold for political control of the countries in which they operate.

U. S. Financial Aid to Foreign Industrial Projects

Progressive nations depend upon several factors - technological competence, industrial enterprise and available capital and labor. As already mentioned the underdeveloped countries are awakening to these facts and are asking our government and other nations for technical and financial aid to carry out new industrial projects, and for us not to respond to the calls would be tragic.

Financial aid amounting to several hundred million dollars has been loaned to industrial projects abroad during the past several years by the U. S. Export - Import Bank. The Eximbank, as it is popularly known, has one billion dollars in capital stock all owned by the U. S. Treasury, and authority from Congress to borrow 4 billion more from the Treasury. These projects include power plants, steel works, railways, dock facilities and many other industrial installations. With few exceptions the equipment for these projects was purchased in the United States.

Let us take as an example the \$67,500,000 loan to the Industria e Commercio de Minerios S.A. for the development of the Amapa Manganese deposit in Brazil undertaken by the Bethlehem Steel Co. This company acquired a 49% interest in these deposits while the owners retained 51%. This loan not only reduced the investment risk by this company but gave it indirect protection. The United States Steel Corp. is developing the Urucum manganese deposits in Brazil also on a 49/51% basis.

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Because of the tendency toward nationalism it is becoming more difficult in many countries for our mining companies to acquire, as in the past, full control of the properties they may wish to develop. It would therefore be advisable in acquiring properties to follow the example of the Bethlehem and U. S. Steel companies in Brazil and be willing to accept a minority interest in mining ventures abroad. Contracts with the local mine owners on such a basis would permit the owner to retain the major interest and he would be the company's representative in negotiations with the local government. Such an arrangement would encourage the local banks and financial interests to participate in the venture and when the details of the project are prepared the company could request an Eximbank loan for a large part of the equipment needed and related engineering services from the United States. The contract would stipulate that the major portion of the minerals produced be exported to the United States. The advantages of such cooperative agreements are that they free the American investor from attack by local politicians, there could be no question of American imperialism and they would go a long way towards improvement of our political relations with the nations involved.

Thanks to the credits Eximbank has extended in the past we are now getting large tonnages of manganese ore from Brazil, copper and iron ore from Peru Uranium from Africa, etc., etc. Thus Eximbank is helping to build up industries in these backward countries and thereby aiding these countries to increase their living standards.

Proposals to Combat the Communistic Economic Offensive

At the San Francisco Conference last October which was attended by representatives of 69 nations, Vice President Richard Nixon stated that we must be prepared for an all-out Communistic economic offensive. He proposed channeling more government aid through private enterprise to encourage private investment abroad, and the cutting of taxes on income earned abroad. Herman Aids, a German banker suggested that the Free World nations would be most grateful to the United States if it would take the lead in establishing an International Court to decide on measures to be taken against expropriations or other violations of the investment code.

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To carry out this proposal we should follow the Russian procedure and send more geologists and mining engineers to work with the local government mining bureaus and mining interests in the preparation of reports on properties requiring financial and technical aid which may interest our mining and industrial firms. These specialists should include representatives of our mining companies the Bureau of Mines and the Geological Survey. Arrangements should be made to place these specialists on the I.C.A. payroll in place of some of the Foreign Service officers in less important occupations. This work should be started as soon as possible as the impact of present Russian activities in the field of mining may seriously impair the ability of our industries to obtain their needed mineral imports sooner than we realize.

The Eximbank is ready to consider loans for projects which will bring important foreign mineral deposits into production. Preference will be given to ventures which are to be under American managerial and technical staffs, regardless of whether they have the controlling interest. The Eximbank board of directors would only approve loans to projects where the return of invested capital is fairly well assured, thus giving added protection to the American investor. The local banks and private investors in the country involved would be urged to participate in the enterprise.

Mining and metallurgical projects to be undertaken by American private investors and supported by loans from the Eximbank and local banks will not be in much danger of confiscation or monetary restrictions and the risk to the American investor is thus greatly reduced.

The Eximbank differs from the International Bank for Reconstruction and Development, the World Bank as it is usually called, in that the latter is owned by 62 member nations and makes only government guaranteed loans while the more liberal International Finance Corporation, a branch of the World Bank, supported by 16 nations, makes loans and participates in projects abroad without government guarantees. The Eximbank thus far has made more profit and spent less on its loans than these international banks. It is one U. S. Government agency that makes money for the Treasury as losses from bad loans are about nil. The Eximbank works closely with private capital and the local commercial banks. Its objective is to help the Free World countries to earn dollars by producing goods.

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The I.C.A. has recently set aside \$300 million for loans to private enterprise projects abroad. Requests for financial aid to private and some State projects amounting to a billion dollars have already been presented to I.C.A. to be financed by loans from this fund. Lets hope that some of it may be reserved for important mining projects. If such loans are as carefully selected and supervised as those of the Eximbank it will be a real credit to our Foreign Aid Program.

Helping the Free World nations to attain economic stability and growth under the free enterprise system will have a great deal to do with the outcome of the present competition for mineral products and trade by the Soviet Union. Also countries wavering toward being neutral may be brought into line with the Western Powers if we cooperate with them in their industrial plans which are vital to their future welfare.

Much of the information on the mineral resources abroad is in the files of the Bureau of Mines and the Geological Survey and we are being supplied with additional information by their representatives and our Mineral Attaches and other Foreign Service officers in the State Department and the I.C.A. But thus far our private mining companies and financial firms have done little to take advantage of this available information because of the risk involved and lack of protection to American investors abroad. It is up to our government as well as those of the foreign countries to allay the fears of the American investor and see that he is given the necessary protection against confiscation and monetary restrictions.

It is also important to increase our propaganda efforts through news papers, radio and T.V. to draw attention to what our government is doing, and ready to do, to cooperate with the Free World nations in their industrial expansion under the Free Enterprise system. They should be advised as to the character of the nation offering aid and be warned against accepting offers of aid from Russia which may lead to the domination of their economic welfare by the Communists.

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C o n c l u s i o n s

The need for adequate attention to the problem of metals in short supply is decidedly as important as the conquest of outer space. Our immediate reaction must be to offer a counter offensive as proposed by Vice President Nixon and as outlined above in the Trade War of the Soviet Union. We should follow the advice of Civil War General Nathan Bedford Forrest and "get thar fust with the mostest men."

The result of this economic war was clearly presented by Party Boss Nikita Khrushchev in Moscow on November 28 who stated "We declare war upon the United States in the peaceful field of trade and will outstrip the United States in the production of all commodities." To the Kremlin rulers the United States is their ultimate enemy and the only barrier to the their world domination.

If we can offer the Free World nations a well protected and financed system by which their peoples can participate in the development of their mineral resources and in the establishment of metal industries to make them less dependent upon imports, such a free enterprise system would be more welcome than anything the Russians might offer. Their mineral exports to the United States would also supply them with the needed dollars for more trade with the United States.

/s/ Charles Will Wright

Charles Will Wright
former Foreign Mineral Specialist
U. S. Bureau of Mines.

Washington, D. C.

February 25, 1958

- 8 -

U.S. Mine Production, Consumption, % of Production for Consumption and
Imports for Industrial Consumption for 1956.

| | Production | Consumption | % of Production | Imports | % from | |
|----------------------------|------------|-------------|-----------------|---------|-------------|-------------|
| | | | | | East Hemis. | West Hemis. |
| Ferrous metals | | | | | | |
| Iron ore in 1000 l. tons | 97,849 | 125,171 | 78 | 30,431 | 8 | 92 |
| Manganese ore 1000 l. tons | 345 | 2,264 | 15 | 2,219 | 69 | 31 |
| Chromite 1000 l. tons | 162 | 1,847 | 9 | 2,175 | 98 | 2 |
| Nickel short tons | 7,292 | 127,578 | 5.7 | 154,292 | 9 | 91 |
| Cobalt s. tons | 1,757 | 4,781 | 37 | 9,497 | 92 | 8 |
| Non-ferrous metals | | | | | | |
| Bauxite 1000 l. tons | 1,743 | 7,751 | 23 | 5,670 | 1 | 99 |
| Copper 1000 s. tons | 1,106 | 1,367 | 80 | 559 | 20 | 80 |
| Lead 1000 s. tons | 353 | 839 | 42 | 482 | 44 | 56 |
| Zinc 1000 s. tons | 542 | 1,284 | 44 | 708 | 17 | 83 |
| Antimony s. tons | 1,910 | 12,097 | 15 | 6,572 | 27 | 73 |
| Mercury flasks | 24,177 | 54,143 | 45 | 47,316 | 75 | 25 |
| Tin s. tons | 8 | 60,470 | 0 | 79,278 | 88 | 12 |

Principal sources of Imports.

Iron ore: Canada and Venezuela
Manganese ore: Ghana, Un of South Africa, Brazil and Cuba.
Chromite: Turkey, S. Rhodesia, New Caledonia, Un of S. Africa, Philippines.
Nickel: Canada and Cuba.
Cobalt: Belgian Congo
Bauxite: Surinam, Indonesia, Jamaica.
Copper: Chile, Canada, Mexico, Peru, Rhodesia.
Lead: Mexico, Peru, Canada, Australia and Yugoslavia.
Zinc: Canada, Mexico, Belgian Congo.
Antimony: Bolivia, Mexico.
Mercury: Italy, Spain and Mexico.
Tin: Malaya, Netherlands, Bolivia and United Kingdom.

COMPANIA MINERA DE PENOLES, S. A.

APARTADO POSTAL 251

MA AMOROS OYE. 418

MONTERREY, N. L., MEXICO

JAFD:ej

May 12, 1958

PLEASE ADDRESS REPLY TO MANAGEMENT
FAVOR DE DIRIGIR SU CONTESTACION ASUBJECT:
ASUNTO:

STATOTHR

Dr. Charles Will Wright

Dear Dr. Wright:-

Thank you for sending me a copy of your interesting, well presented and intelligently written paper on proposals for competing for metal requirements from abroad, "Remedying the Present Grave Situation". I have learned much from reading it. It covers a matter which is always of much importance, and is particularly important in view of Nikita Khrushchev's declaration of "war upon the United States in the peaceful field of trade".

Much that Vice President Nixon has said is encouraging. I must add that it does not make too much sense for the U.S. Government to persuade U.S. capital to go abroad, and then, after that capital has gone abroad, for the U.S. Government to use quotas and increased import duties to cause said capital to be productive of nothing but deficits. I know that you feel the same way and I imagine that your statements have had an important influence on what has been developing in this realm in Washington. These developments we are following with great interest. We hope that our activities in the mining field may be along the lines that are considered helpful and may in some small way contribute to the winning of the war in the peaceful field of trade. Your own contributions in this field have been tremendous.

With kindest regards,

Sincerely yours,

MAY 20 10 54 AM '58

J. W. R. Dallas

to: E4

Approved For Release 2002/02/13 : CIA-RDP80B01676R003900050046-7

Please file. NO REPLY NECESSARY.

ATK

Dear Mr. Dulles:

You will be interested
in the enclosed copy of a
letter from your nephew.

Sincerely
C. W. W.